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Airport Facilities and General Aviation Infrastructure

Budapest Ferihegy Airport, operated by LRI, Air Traffic and Airport Administration, has two terminals. Terminal 1 is currently used for general aviation and charter flights, while Terminal 2 is used for scheduled commercial aviation. Overall, Budapest Ferihegy currently handles more than 200 flights and around 40,000 kg of cargo daily. In 1999, Terminal 1 (General Aviation) alone handled 5,840 aircraft and 10,934 passengers. Terminal 1's General Aviation Handling has contracts with the following U.S. firms: Jeppesen Dataplan Inc., Baseops International, Universal Weather and Aviation Inc. The U.S. Trade and Development Agency has approved a USD 250,000 grant to fund a feasibility study on developing Budapest Ferihegy Airport into a regional passenger and cargo hub. The study should be completed by September 30, 2000.

Private individuals/companies and multinational companies located in Hungary do not possess business aircraft. Neither does the Hungarian government. There are 156 aircraft under 5,700 kilograms registered by the Civil Aviation Administration in Hungary. Of this number, 40 can be used for regional flights according to European standards (i.e. aircraft capable of flying under 2,500 feet.) and these are primarily operated by smaller aviation companies.

Airlines

MALEV

MALEV, the Hungarian Airline, carried approximately 2.3 million passengers in 1999. APV Rt. (the State Privatization and Assets Holding company) currently holds 97% of MALEV and has pending plans to privatize MALEV in 2000. In April, 2000 APV Rt. selected ING Baring as the privatization advisor for this project. The current privatization law states that the level of long-term state ownership in MALEV should be reduced to 25% plus one vote, but that at least 50% plus one vote should remain in Hungarian ownership. APV Rt. is negotiating intensively to conclude a strategic alliance with one of four foreign carriers – British Airways, Lufthansa, Air France/Delta or Swissair - and is expected to make a decision by the middle of this year.

MALEV currently leases 14 Boeing aircraft (two 767/200ER, one 737-200, six 737-300, three 737-400, and two 737-500) and six Fokker-70 aircraft. MALEV also has six TU-154 operating on charter flights. A third 767-200ER will be added to the fleet later this year. In preparation for privatization and for entering a global alliance, MALEV is planning major fleet rationalization. However, it lacks the necessary resources and the ultimate financing of the fleet renewal might become the task of the future strategic partner. Although current plans are to keep the Boeing 737s and 767s, there are plans to replace the Fokkers with ATR 72 turboprops suitable for regional flights in a range of 400-800 kilometers. With this new fleet configuration, MALEV is contemplating beginning service to the following regional destinations: Leipzig, Cracow, Minsk, Lvov, Kishinov, Cluj, Ljubljana, Beograd, Vienna, Salzburg, Venice, Trieste, and Verona. MALEV currently has flights to 44 destinations in 35 countries.

INDICATOR Aviation Inc.

Indicator was founded in 1991 and is a member of the European Regional Airlines Association with a full-scale Air Operator Certificate. The company provides taxi, charter and sightseeing flights within Hungary and to the neighboring countries. The company also leases, rents, and trades aircraft as well as trading and distributing spare parts. Their special flights include aerial commercials, cargo flights, aerial photography, and pipeline patrolling.

Indicator's fleet consists of the following types of aircraft: one Cessna C 150, two Cessna 172 XP, one Cessna 206, two Maule M7, one Piper Navajo, one L-410 UVP-E (Czech), and one Pilatus (Swiss). Indicator is planning to enlarge its fleet by either one Pilatus or Cessna.

LINAIR Hungarian Regional Airlines Co.Ltd.

The company was privately established in 1993 to provide passenger and cargo flights, aircraft handling and maintenance, and trading of aircraft parts. Currently LINAIR operates and maintains two JAK-40 type aircraft for LRI, the Air Traffic and Airport Administration. In 1996, the company purchased AVIAEXRESS Inc. (handling cargo flights exclusively) from LRI. The JAK-40 aircraft carries 21-30 passengers or 3 metric tons (6,600 lb) cargo within a range of 1,400 km (750 miles). MALEV is currently considering a LINAIR proposal to provide feeder services to MALEV regional flights in a range of 600-1,600 km.

FARNAIR HUNGARY CO. Ltd.

The company, founded in 1990, is member of the FARNAIR Europe alliance. Its services include passenger and cargo charter flights, VIP and medical transfer flights, operation and maintenance of aircraft. Its fleet consists of one Fokker F27 for cargo, one L-410 UVP for cargo or up to 14 passengers, and five L-410 UVP-E carrying 16 passengers.

Aircraft Parts/Maintenance Services and Facilities

Aircraft maintenance services, including transit checks, pre-departure checks, and heavy-duty maintenance are performed by Aeroplex Central Europe (Aeroplex) which is wholly owned by MALEV. Aeroplex has FAA certification to carry out maintenance work on U.S.-registered aircraft and has the European JAA license for comparable work on non-U.S. aircraft. Aeroplex also holds permits to perform maintenance on L1011 Tristar, TU-134, TU-154, Boeing -767, JAK-40 and BAE-140. In 1998, Aeroplex employed 850 people and had net revenues of HUF 6.3 billion (USD 29.5 million). For the commercial carriers that it services, Aeroplex handles procurement of type-specific parts. Business aircraft parts, on the other hand, are procured by directly from the manufacturers by the small aviation companies themselves.

In March 2000, MALEV and Lufthansa Technik AG signed a joint venture agreement for the general maintenance of Lufthansa's Boeing 737s. The agreement calls for the creation of a new company, Lufthansa Technik Budapest Co.Ltd., which will employ 350 people and begin operations in 2001 using two of Aeroplex' four hangars. MALEV will hold 15 percent and Lufthansa Technik 85 percent of the new company. Initially, the company will perform "D-checks" for Lufthansa's 60-80 Boeing 737s though it will eventually service third parties as well.

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